

Insurance Fraud Bureau of Massachusetts

2019 Annual Report



101 Arch Street • Boston, Massachusetts 02110 • www.ifb.org



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Executive Summary



As we approach the anniversary of the Insurance Fraud Bureau's third decade and reflect, it has been a year of growth and change. Often, people and organizations are apprehensive about change. Growth and change make people and organizations stronger, more resilient and responsive to challenging situations and events. Over time, the IFB has had the institutional flexibility to respond to new insurance fraud challenges as they arose. The IFB is resilient and improving; as they say, we are getting better with age.

The IFB continues to investigate all types of insurance fraud cases from automobile fraud to workers' compensation fraud to autobody shop fraud to life insurance fraud to medical provider fraud to property insurance fraud. This is not possible without partners on the prosecution side like the Massachusetts Attorney General, various District Attorneys across the Commonwealth and the United States Attorney for the District of Massachusetts.

This fight against fraud does not start without our partners in the special investigation units of the insurers here in Massachusetts who receive statutory immunity for their referrals. The IFB continues to enhance those partnerships daily as documented by our case activity.

Over the past year, the IFB has referred over 230 cases for prosecution which is a number that has been sustained over the past four years. This does not include the additional 800 plus cases that have been closed or prosecution completed in 2019.

As we continue to change and evolve, I see a bright and exciting future for the IFB. I look to continued success on the prosecution front and enhancing our relationships with local law enforcement across the Commonwealth. I see us building on our connections with the insurance industry with more training and communication sessions.

I would like to thank our Board of Governors for their continued support and guidance.

And I want to particularly thank and acknowledge Daniel J. Johnston, IFB Executive Director since the bureau was first created in 1990. This past year was Dan's last full year with the IFB and we have him to thank for our development and growth over the past 30 years. We grew from a staff of nine in May 1991 to a full complement of 55 in 2019 and his leadership and vision have helped shape the IFB's growth and reputation for success. On behalf of the IFB, a sincere thank you from us all.

Anthony M. DiPaolo

Anthony M. DiPaolo
Executive Director

Highlights of 2019

Milestones reached in 2019:

- ◇ In 2019, 234 cases were recommended for prosecution to the offices of the United States Attorney, Attorney General and District Attorneys. During the year, 166 individuals were charged including eleven indictments returned and 155 complaints issued. Of cases concluded, 200 individuals reached a final disposition (including eight convictions and 31 continued without a finding).
- ◇ From inception of the IFB, more than 80,900 referrals from insurers, law enforcement, regulators, professionals and the public have been received. Since inception, 4,167 individuals have been charged, either through indictment or complaint, on insurance fraud and related charges. Of those charged, 999 convictions have resulted with 1,223 other cases continued without a finding.

Channel 5 Investigates (Boston WCVB news) reported on workers' compensation insurance fraud in a story that aired in May 2019. 5 Investigates Mike Beaudet interviewed Executive Director Tony DiPaolo.

The IFB presented a half-day seminar on *The Opioid Epidemic: The Neurobiology of Addiction and the Effects on Insurance*. Attendees were from insurance companies, health care insurers, local police departments and law offices. This was the 34th seminar presented by the IFB.

In a joint collaboration between the New England Chapter of the International Association of Special Investigation Units (NEIASIU), National Insurance Crime Bureau (NICB) and the IFB, speakers and support were provided for the fourteenth annual New England Training Seminar and Fraud Expo. The seminar included topics on automobile, workers' compensation, property, marine, identity and health care fraud; medicinal and recreational marijuana; fire and explosion investigations; water loss fraud; rideshare insurance risks; updates on databases used in fraud detection; overview of criminal and civil law; accident reconstruction methods; and social media. This two-day training program was attended by approximately 175 people.

IFB management personnel are sought as speakers at various industry conferences. In 2019 IFB presented at the New England Association of Insurance Fraud Investigators (NEAIFI) annual conference, Eastern Claims Conference, Association of Accountants and Financial Professionals in Business, Massachusetts Association of Insurance Fraud Women, Boston Chapter CFE and NEAIFI training workshops.

Attendance at seminars and workshops aids IFB staff in understanding new and trending fraud schemes and affords an avenue to network with fellow fraud investigators. Seminars attended in 2019 include the annual conferences of National Association of Insurance Commissioners (NAIC) Insurance Summit, Insurance Fraud Management, International Association of Law Enforcement Intelligence Analysts, the International Association of Auto Theft Investigators (IAATI), Association of Certified Fraud Examiners, National Fraud Directors, New England Chapter of the International Association of Special Investigation Units (NEIASIU), and the National Health Care Anti-Fraud Association. Investigators also attended training sessions at the National White Collar Crime Center and New England State Police Information Network (NESPIN) as well as Boston Chapter CFE and NEAIFI training workshops.

Referral Summary

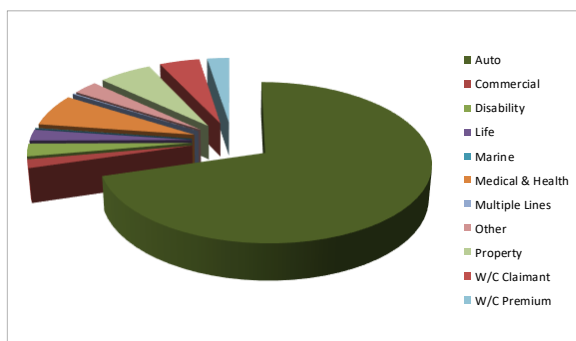
The IFB received 3,307 referrals in 2019. The principal source of referrals is from insurance carriers with 2,913 referrals received through submission by the insurance carrier directly to IFB or forwarded through the websites of the National Insurance Crime Bureau and the National Association of Insurance Commissioners. Most information is submitted electronically via a secured FTP site, DropBox, or secured email to referrals@ifb.org. Password protected CDs and flash drives and paper referrals are received through mail.

Strong relationships with local police departments have resulted in reports of suspected insurance fraud. Referrals are also received from state and federal agencies. Private citizens are encouraged to report possible fraud tips to the IFB hotline at 1-800-32FRAUD or through the IFB website at <https://www.ifb.org>.

Each allegation of insurance fraud received is evaluated. Referrals may be declined from investigation due to lack of evidence of criminal insurance fraud or insufficient information provided with the referral. Information from referrals may also be forwarded to another agency better-equipped to handle the allegation. The referrals accepted for investigation are deemed to be the most viable for successful prosecution.

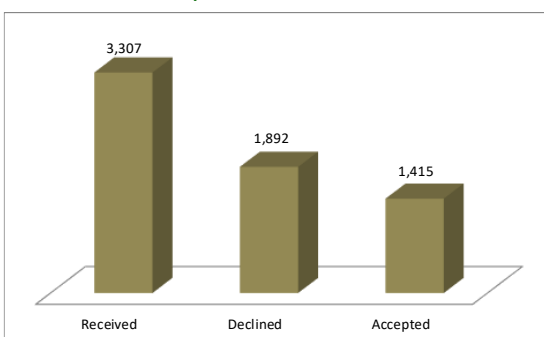
Since the inception of the IFB, more than 80,900 referrals have been received. Automobile claims continue to comprise the majority of referrals. Workers' compensation and provider referrals typically involve higher dollar impact cases.

Referrals Received in 2019

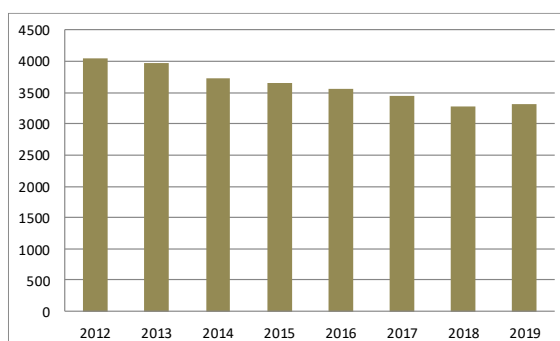


Auto	2,330
W/C Clmt	151
W/C Prem	83
Other	743
Total	3,307

Referral Activity in 2019



Referrals Received by Year

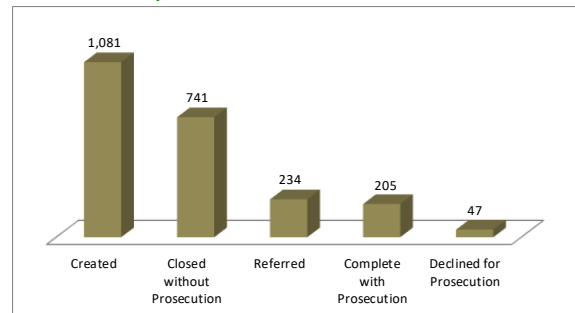


Case Summary

There were 1,262 cases under investigation in 2019 with 234 cases recommended for prosecution. Cases that did not meet the required burden of proof were closed without prosecution.

Investigative caseloads include cases under active investigation as well as cases referred to prosecution. Working with the prosecutor may involve location of witnesses, witness interviews, delivery of subpoenas and pursuing additional avenues of investigation. Case workloads change frequently with new cases created, assigned for investigation and closed.

Case Activity in 2019



The time a case remains in wait or assigned status is influenced by the loss location and the type of case. Cases in the task forces (CIFIs) move faster through the process due to the type of fraud and the close working relationship with local police and prosecutors. Investigations dealing with alleged provider fraud, workers' compensation premium and claimant fraud, and other types of insurance fraud can be more complex in nature. These cases are usually recommended for prosecution to the offices of the Attorney General and United States Attorney and take longer to move through the process.

The following table depicts, for year-end 2019, the number of cases in inventory waiting to be assigned to an investigator and cases that are actively being worked.

Case Status by Unit/Task Force as of December 31, 2019

Unit/Task Force	Cases in Wait	Cases Assigned	Cases at a Prosecutor's Office	Total Active Cases
General Unit	28	32	21	53
Provider Fraud Unit	28	29	30	59
W/C Claimant Unit	3	6	4	10
W/C Premium Evasion Unit	13	37	26	63
Boston CIFI	345	40	65	105
Brockton CIFI	26	13	27	40
Chelsea/Revere CIFIs	12	1	3	4
Lawrence/Lowell CIFIs	171	28	41	69
Lynn CIFI	19	6	12	18
New Bedford/Fall River CIFI	19	15	28	43
Randolph CIFI	17	6	19	25
Western Massachusetts CIFI	149	44	43	87
Worcester CIFI	118	23	23	46
Total	948	280	342	622

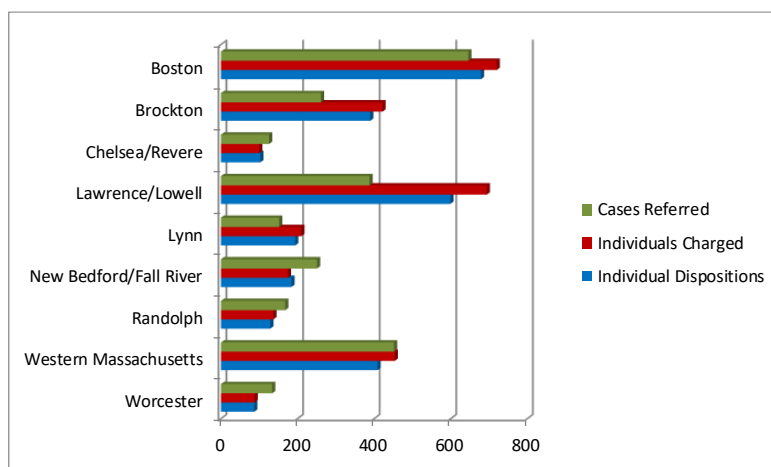
Community Insurance Fraud Initiatives

Created in 2003, the Community Insurance Fraud Initiatives (CIFI) continue to provide deterrence against alleged insurance fraud within each CIFI town. Automobile investigations remain the priority within each CIFI town although all CIFIs have expanded into surrounding towns. In addition, some jurisdictions also investigate workers' compensation, property and provider fraud at the community level. The largest CIFIs are in Boston and Western Massachusetts. Boston handles automobile insurance fraud cases throughout Boston and its neighborhoods. The Western Massachusetts CIFI investigates all types of alleged fraud in the Western part of the state, with emphasis on Hampden and Western Massachusetts counties.

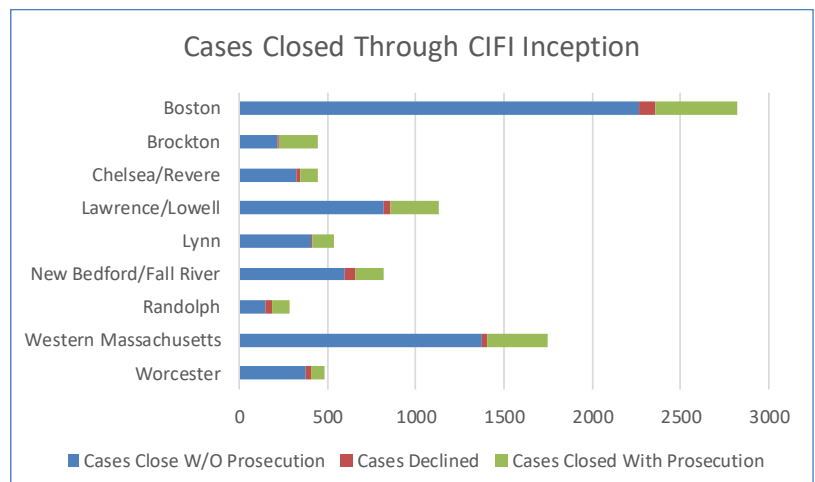
IFB task forces were initially identified by the number of "injuries per 100 accidents" ratio. This measurement continues to highlight the success of the program. At the beginning of the CIFI program the statewide number was 70 injury claims per 100 accident. The number has dropped to under 40; notably and importantly not rebounding.

The CIFI program has also had a tremendous impact on the policy premium savings for each of the CIFI communities and its cumulative effect on the automobile insurance industry. Since 2003 there has been a \$1.3 billion premium savings in the CIFI towns and a \$5.5 billion premium savings for the total industry.

The chart below shows the activity of the CIFIs since their inception.



A sign of the success of the program includes the number of cases investigated. The IFB has actively investigated approximately 9,300 cases since 2003. Over the past five years many cases have been resolved at a magistrate's hearing with restitution ordered to the insurance carrier. The chart at right shows cases closed, by CIFI, that have been investigated and closed without recommendation for prosecution, declined by a prosecutor and closed with prosecution complete.



Health Care and Prescription Fraud

Investigations into health care personnel who falsely bill insurers for services not rendered or overbill for services rendered are a priority of the IFB Provider Fraud Unit. In addition, the over-treating and over-prescribing of narcotics and opioid drugs continues to be an increasing problem throughout the Commonwealth. The IFB plays a role in the investigation of cases involving medical providers, nurses and medical personnel who abuse narcotics and opioids or, in their various capacities, over-prescribe drugs.

The following cases involve health care providers' fraudulent billing or overbilling, medical personnel who abused drugs, and insureds who abused the health care system.

- ◇ A Cotuit woman forged and fraudulently filled multiple prescriptions under both her and her husband's names while employed at a medical doctor's office. She had access to the medical practice computer system which allowed her to issue prescriptions from the medical practice or from her home. The woman filled her prescriptions and utilized her private health insurance in order to facilitate the receipt of multiple fraudulent prescriptions. The case was continued without a finding for two years.
- ◇ The case against a Worcester chiropractor was continued without a finding. She paid full restitution of \$3,455. As part of the therapy provided she frequently offered to provide patients with a cervical pillow and an exercise packet. She then billed insurance companies for these items. In addition to not receiving the items, three patients were not treated on dates for which she billed their respective insurance companies.
- ◇ The case against a Quincy-based dentist was continued without a finding for three years. She had been charged in connection with a scheme to fraudulently bill MassHealth under another dentist's name. She was ordered to pay \$172,336 in restitution to MassHealth. Her dental company pleaded guilty and was sentenced to three years probation and ordered to pay \$84,000 in fines. An audit by the State Auditor's Office uncovered Medicaid fraud committed by the dentist. Following that audit, she agreed to a \$300,000 settlement with the Attorney General's Office and was terminated from participating in the MassHealth program. Despite her termination from MassHealth, she continued to treat MassHealth patients and billed those services under the name and identification number of another dentist, without his knowledge or authorization. That dentist contacted the Office of the State Auditor to report this fraudulent activity when he learned of it in September 2017.
- ◇ A Salem man was indicted in connection with a scheme to set up a shell company to fraudulently collect benefits under a long-term care insurance policy. The Salem man allegedly operated a shell home health care company and using this company collected money by allegedly billing for treatment not rendered under his father's long-term care insurance policy. He allegedly stole over \$45,000 by claiming he was his father's health care aide, when in fact he failed to provide care to his father.
- ◇ A Newburyport woman pleaded guilty to larceny, forgery of a document and forgery of a check. She was sentenced to two years in the House of Correction, suspended for three years, and ordered to pay \$4,283 in restitution. The woman, the mother of a disabled daughter, submitted numerous claim forms for Personal Care Assistance (PCA) hours that could not be substantiated.

Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Prosecution Summary

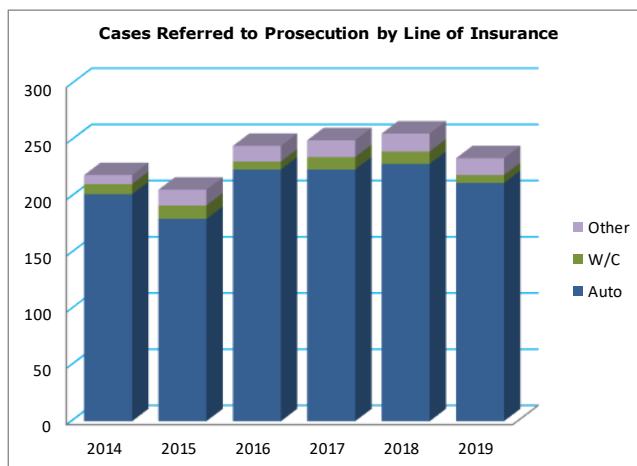
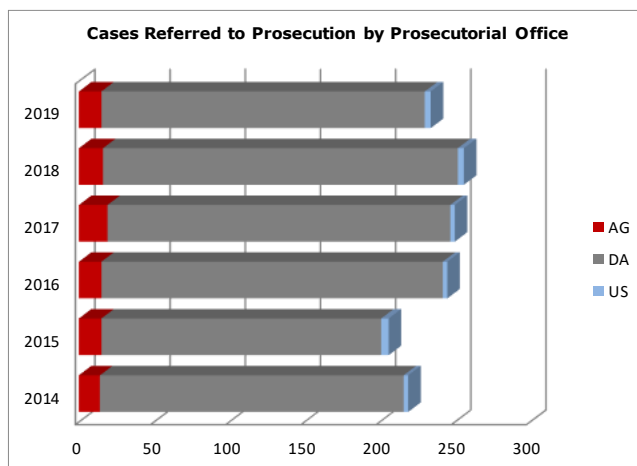
After an IFB case investigation is complete and a determination is made that sufficient evidence has been gathered for possible criminal prosecution, a recommendation is made to a prosecutorial office. Depending on the type, complexity and prosecutorial jurisdiction of the case, a decision is made to recommend the case to the office of the Attorney General, United States Attorney or a District Attorney. Prosecution activity may result in complaints issued or indictments returned. A case may conclude quickly as in single-vehicle, single-subject cases. However, in many instances, it may take months or years to reach final disposition.

Cases Referred to Prosecution

In 2019, IFB referred 234 cases to prosecutors. CIFI-related case activity makes up the largest number of cases. These cases are predominantly staged automobile theft, hit-while-parked, and single-subject cases.

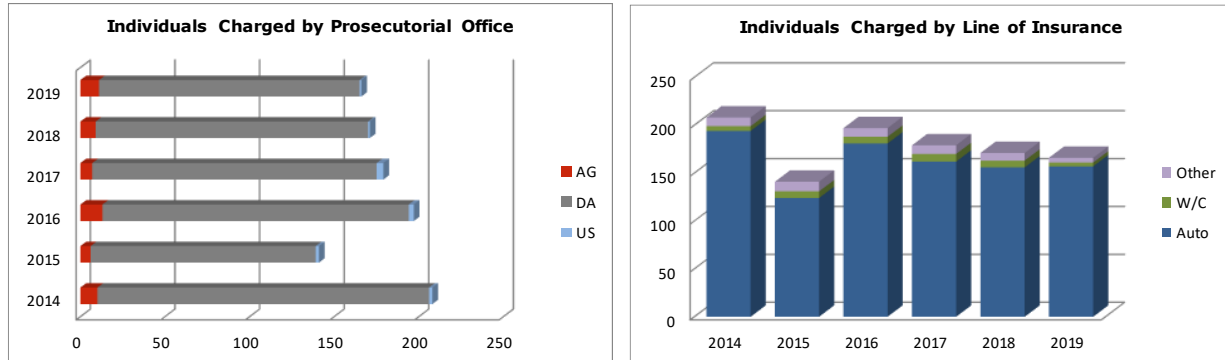
There were 215 cases referred to offices of District Attorneys in 2019. Four cases were referred to the United States Attorney's office and 15 to the Massachusetts Attorney General's office.

Of the 234 cases referred to all prosecutors, 212 were classified as automobile, seven workers' compensation and 15 other (such as medical/health, provider, agent, property, commercial, life, disability and travel).



Individuals Charged

In 2019, 166 individuals were charged with insurance fraud-related violations; 11 indictments were returned and 155 complaints were issued. At the CIFI level, complaints are often taken out by local police assisting the task force or by the IFB investigator at the direction of a prosecutor. Probable cause is established through the clerk's office. Individuals charged in 2019 came from multiple types of insurance fraud investigations. The majority were from automobile investigations, but medical/health, provider, workers' compensation premium evasion and claimant fraud, commercial, and property fraud cases were also investigated with individuals charged.



Some individuals charged include:

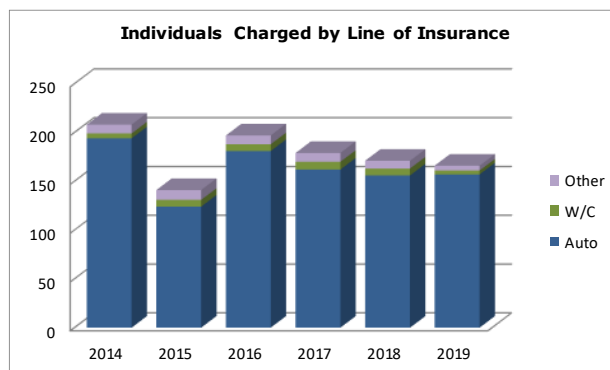
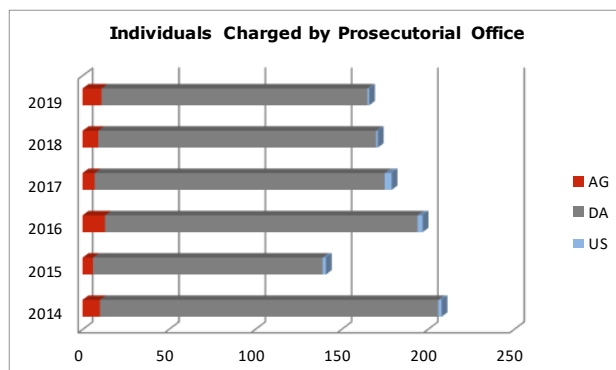
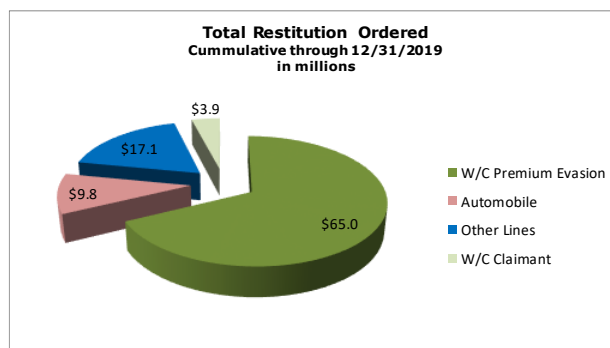
- ◇ An owner of two automotive repair businesses who was indicted on a total of 42 insurance fraud-related charges allegedly perpetrated a complex motor vehicle fraud scheme in which he damaged vehicles and allegedly stole \$170,000. The investigation revealed that he regularly enhanced damage and caused new damage to falsely inflate appraisal repair quotes for labor, paint and parts reimbursement requests. Surveillance footage from one of the business locations shows him using mallets, sledge hammers, and pieces of wood to intentionally cause damage to five customers' vehicles.
- ◇ A former Parent Teacher Organization treasurer charged in connection with an alleged scheme to steal tens of thousands of dollars by making false insurance claims, providing incorrect information on her tax returns, and allegedly stealing over \$14,000 from the PTO Council. The woman allegedly engaged in various fraudulent schemes and thefts such as submission of falsified or altered documents in support of insurance claims and submitting falsified tax returns.
- ◇ The President and CEO of a Taunton insurance agency indicted in connection with an alleged embezzlement scheme that left client companies uninsured. The agency collected insurance premiums from clients and then allegedly failed to remit the premium payments to their insurance carriers. He allegedly stole approximately \$270,423 in premium from client companies.
- ◇ The owner of a Worcester temporary employment agency indicted in connection with a scheme to evade more than \$110,000 in workers' compensation premiums. He allegedly substantially underreported the number of employees and the amount that it paid these employees in response to audits conducted by the company's workers' compensation insurance provider.
- ◇ An insurance agent indicted for allegedly submitting a false application for automobile insurance reporting his father was the owner and primary operator of a 2014 Maserati. His father had passed away two years before he applied for the insurance coverage.

Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Individual Dispositions

The court process can take months or years to reach a final disposition. This is true especially in state and federal cases because of overall size and complexity of many of the large cases. In 2019, eight individuals were convicted and another 31 individuals' cases were continued without a finding. An additional 161 individuals reached final disposition, which included pre-trial probation, resolved at a show cause hearing, general continuance, dismissal, acquittal or nolle prosequi.

Individuals may be sentenced to jail time, suspended sentences, probation, restitution, and community service time or a combination of the above.



Some convictions from 2019 include the following:

- ◇ A Revere business man pleaded guilty to failure to provide workers' compensation insurance. He was sentenced to probation and ordered to pay \$12,000 in restitution. He substantially underreported the number of individuals his business employed and the amount he paid these employees.
- ◇ A Saugus man pleaded guilty to workers' compensation insurance fraud and was sentenced to serve six months and to pay \$74,000 in restitution. The man falsely claimed that he used subcontractors in order to lower his workers' compensation insurance premiums, concealing more than \$2.8 million in payroll.
- ◇ A Feeding Hills woman admitted to sufficient facts to presenting a false insurance claim and larceny. She was ordered to pay \$1,372 in restitution. She signed an application for homeowners insurance on behalf of her mother and then filed a lost property claim for a missing diamond ring in the mother's name. The mother had passed away prior to the loss claim.
- ◇ A North Dartmouth man pleaded guilty to insurance fraud and other charges. He was sentenced to serve two years plus one day in state prison. He had submitted a claim alleging that he and his wife had become ill after eating salted peanut butter they had purchased from a Trader Joe's. Investigation revealed that the man never purchased peanut butter. At the time he alleged to have bought and then eaten the peanut butter, he was incarcerated in the House of Correction.

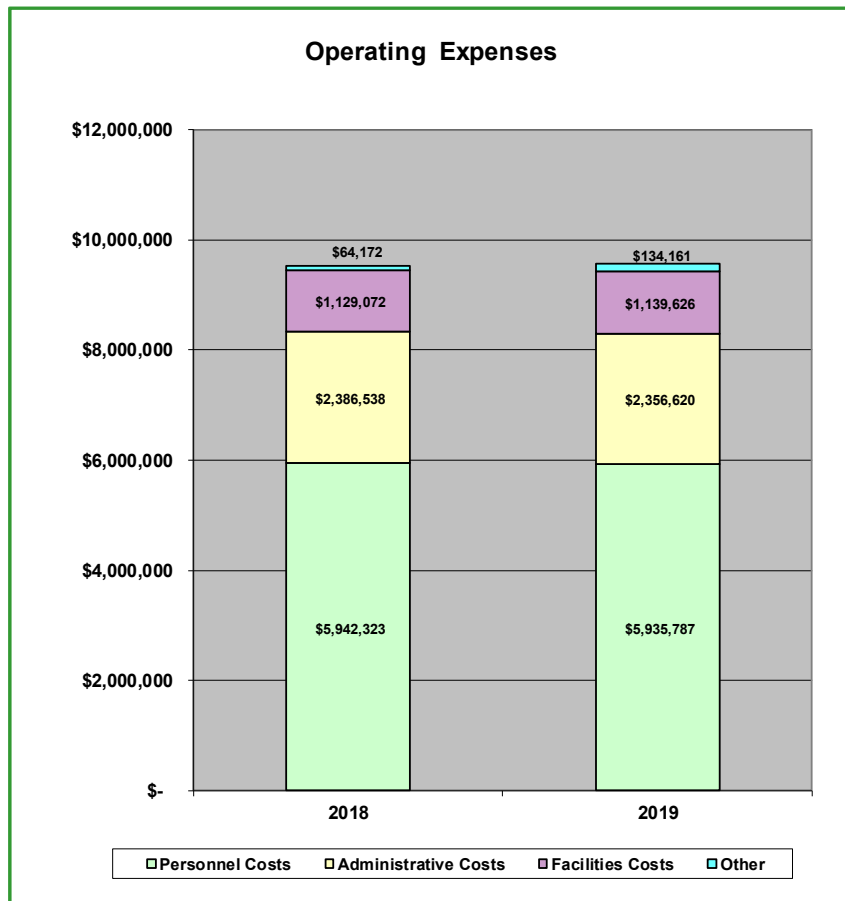
Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Financials

	2018	2019
Revenues		
Assessments	\$ 9,706,666	\$ 10,025,792
Other Income	<u>1,043,963</u>	<u>874,180</u>
Total Revenues	\$ 10,750,629	\$ 10,899,972
Expenses		
Personnel Costs	\$ 5,942,323	\$ 5,935,787
Facilities Costs	1,129,072	1,139,626
Administrative Costs	2,386,538	2,356,620
Professional Services	<u>64,172</u>	<u>134,161</u>
Total Expenses	\$ 9,522,105	\$ 9,566,194
District Attorneys Funding*	500,000	500,000
Other Reserve Fund Uses	8,187	11,521
Net Addition to Reserve Fund	<u>511,923</u>	<u>354,535</u>
Surplus Funds**	<u>\$ 208,414</u>	<u>\$ 467,722</u>

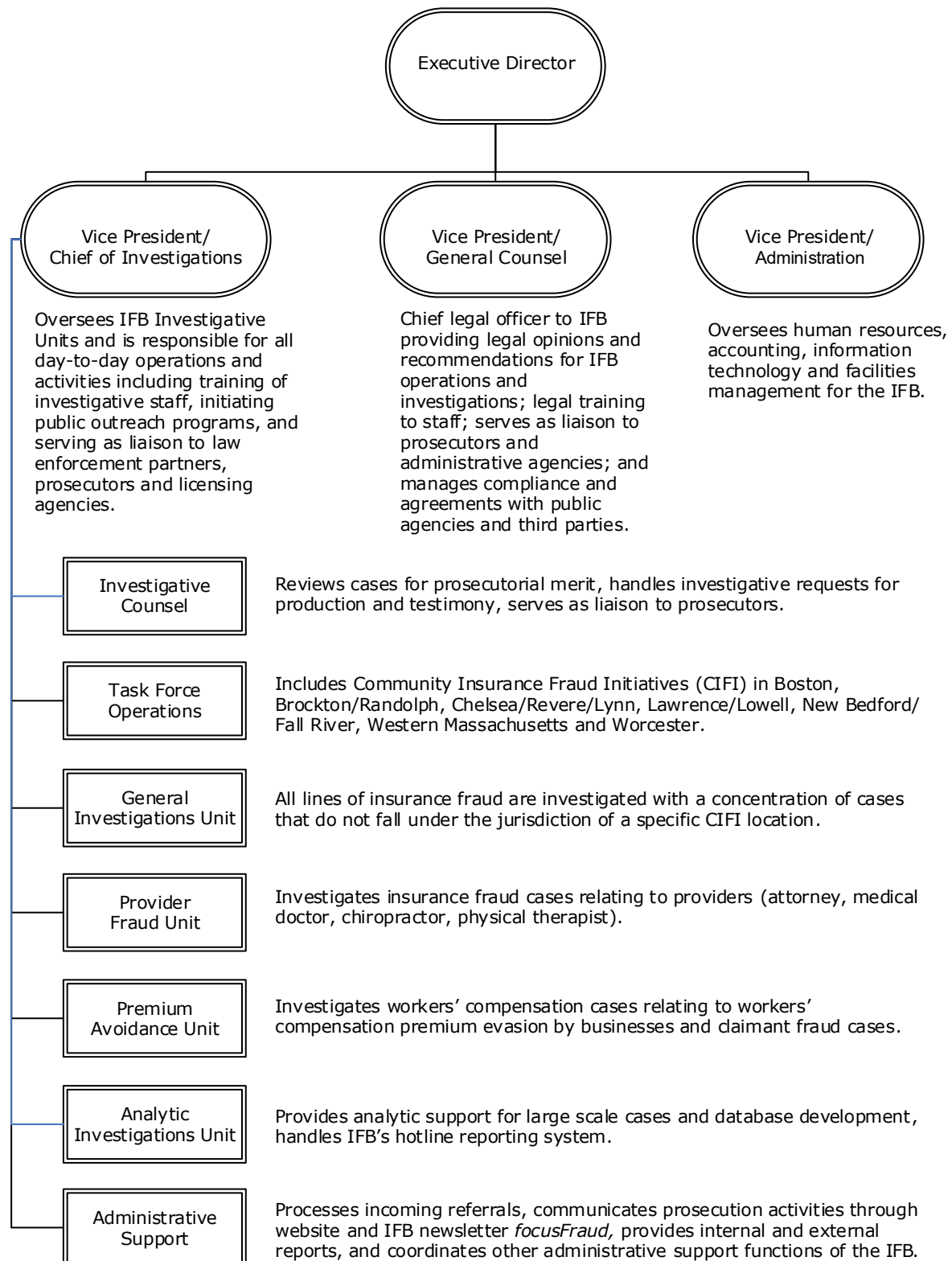
* As directed by the Commissioner of Insurance

** Amounts returned to the insurance industry in the following calendar year



Insurance Fraud Bureau Organizational Units

As of December 31, 2019



Insurance Fraud Bureau Offices



Northern Region (Lawrence & Lowell);
Lynn/Chelsea/Revere CIFIs remain located
in the Lynn Police Department



Boston Office (legal; management; support functions; general,
provider, workers' compensation units; Boston CIFI)



Western Region (Holyoke/Springfield &
Worcester CIFIs) located in Auburn



Southeast Region (Brockton, Randolph
& New Bedford/Fall River CIFIs) located
in Brockton

Officers and Board of Governors

Officers

Daniel J. Johnston, Executive Director
(Retired effective March 1, 2020)

Anthony M. DiPaolo, Vice President, Investigations
(Executive Director effective March 1, 2020)

Laura A. Kessler, Vice President, General Counsel

Thomas J. Simon, Vice President, Administration

Board of Governors

Representing the AIB Governing Committee

Arbella Insurance Group

MAPFRE USA Corp.

Metropolitan Group

Safety Insurance Group

The Hanover Insurance Group

Representing the WCRIB Governing Committee

AFL/CIO

A.I.M. Mutual Insurance Company

Liberty Mutual Insurance Company **

Thomas J. Woods Insurance Agency

The Travelers Insurance Company

Public Members

Commissioner of Department of Industrial Accidents

Commissioner of Insurance

Registrar of Motor Vehicles

Secretary of Labor and Workforce Development

Secretary of Public Safety

** Denotes board chairman

Committees

Committee	Mission	Members
Audit	Provide oversight on the accounting, financial reporting and auditing practices of IFB.	Liberty Mutual Insurance Company** Metropolitan Group The Travelers Insurance Company
Budget	Review and approve prospective budget plans and staff additions	A.I.M. Mutual Insurance Company Commissioner of Insurance Liberty Mutual Insurance Company** MAPFRE USA Corp. Safety Insurance Group
Communications Subcommittee	Examine and discuss communications between IFB and insurers	A.I.M. Mutual Insurance Company Arbella Insurance Group Liberty Mutual Insurance Company MAPFRE USA Corp. Metropolitan Group Safety Insurance Group** The Hanover Insurance Group The Travelers Insurance Company
Long Range Planning	Guide long-term direction of IFB activities; designate line of business priorities, geographical orientation and IFB legislative initiatives	AFL/CIO Arbella Insurance Group Commissioner of Department of Industrial Accidents Metropolitan Group** The Travelers Insurance Company
Personnel	Approve personnel related plans and programs, including salary structures, job grades and ranges and benefit packages	Liberty Mutual Insurance Company Registrar of Motor Vehicles Secretary of Labor and Workforce Development The Hanover Insurance Group** Thomas J. Woods Insurance Agency
Tip Reward	Review and approve reward payments to informants for tips which lead to the prosecution of insurance fraud perpetrators, as part of the approved IFB Tip Reward Program	Arbella Insurance Group Liberty Mutual Insurance Company ** MAPFRE USA Corp. Safety Insurance Group Secretary of Public Safety

** Denotes committee chairman